

# BUDGET LETTER

SUBJECT: 2010-11 BUDGET CHANGE LETTERS (FINANCE LETTERS)	NUMBER: 10-04 DATE ISSUED: January 28, 2010
REFERENCES:	SUPERSEDES: BL 09-01

TO: Agency Secretaries  
Agency Information Officers  
Department Directors  
Departmental Budget Officers  
Departmental Chief Information Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

**NOTE: Each department with a Capital Outlay program should provide a copy of this Budget Letter (BL) to its facility manager.**

## FINANCE LETTERS

Without corrective action, California is projected to face a budget gap of \$19.9 billion in fiscal year 2010-11. The Governor's Budget proposes a combination of spending reductions, alternative funding, fund shifts and additional federal funds to close the \$19.9 billion budget gap.

The proposed budget calls for even greater reductions in nearly every aspect of state government than were necessary in 2009. With these reductions, every effort is made to maintain essential services for Californians who need them the most in the midst of this fiscal crisis. In particular, the proposed budget protects education, including higher education, from additional deep cuts.

Due to the fiscal limitations facing the state, the Administration will reject any augmentation requests without critical and compelling justifications when evaluating the Spring Finance Letters.

As departments prepare Spring Finance Letters, these rules must be strictly applied:

- Regardless of funding source, proposals must not be submitted unless they cannot be deferred to the 2011-12 budget process without resulting in extreme adverse consequences. Any proposals that are submitted must include full and clear justification demonstrating the criticality of the proposals and the adverse consequences of deferring to the 2011-12 process. This policy does not apply to Finance Letters requesting federal fund augmentations, unless the proposal would result in a negative impact to the General Fund.
- Any General Fund cost proposals that meet the above criteria must be self-funded, or the Department of Finance (Finance) will immediately return the requested Finance Letter(s) without review. The only exception will be for unavoidable costs necessary to address an immediate and serious threat to public health or safety, and that cannot be funded by redirecting resources from lower priority programs.

- Departments must not rely on providing subsequent backup material to respond to Finance inquiries to provide needed justification for the request. There simply is not sufficient time to explain and refine every proposal through a question and answer process. The focus this year must be on finding and implementing solutions to balance the budget. Requests which are incomplete by virtue of failing to provide relevant information will be returned to departments without analysis.
- Except as noted below, the deadline to submit all requests to Finance is Friday, February 12, 2010.

Compliance with the February 12 deadline is critical to allow the Administration to submit Budget modifications to the Legislature in a timely manner, consistent with Government Code Section 13308. This statute requires Finance to provide to the Legislature, by April 1, all proposed policy adjustments with the exception of enrollment/caseload/population (ECP) driven changes in the May Revision and Capital Outlay adjustments.

Similar to past years, the form (DF 46) used to prepare non-capital outlay Finance Letter requests requires your department's Chief Information Officer to review and sign all Finance Letter requests with information technology (IT) components prior to submission to Finance. The latest version of the form is available either entirely in Word format or as a combination of a Word document (text portions) and an Excel spreadsheet (fiscal detail). Departments may obtain both versions and instructions for completion of the DF 46 forms via:

- A Word or a Word/Excel document downloaded or a hard copy printed from the Finance BL website at: [http://www.dof.ca.gov/html/budletr/forms/fin\\_form.htm](http://www.dof.ca.gov/html/budletr/forms/fin_form.htm).

Do not submit Finance Letter requests electronically. Hard copy submittals are still required.

## INFORMATION TECHNOLOGY FINANCE LETTERS

Finance Letters requesting funding for critical IT projects require Office of the State Chief Information Officer (OCIO) approval of a Feasibility Study Report (FSR), Special Project Report (SPR), or equivalent document. Pursuant to Government Code 11545, et seq, the OCIO is responsible for approving and overseeing IT projects. Therefore, departments are required to submit electronic copies of FSRs, SPRs, or equivalent documents to the OCIO. Per the State Administrative Manual Section 4928, each state agency must also submit copies to the Legislative Analyst's Office, and, as applicable to the Department of General Services. Departments were required to submit FSRs, SPRs, or equivalent documents to the OCIO no later than January 14, 2010 (unless otherwise exempted by the OCIO), in order for Finance to consider the associated IT Finance Letter requests. Comprehensive information for IT project reporting, including instructions to assist departments in meeting OCIO reporting requirements, can be found in the Statewide Information Management Manual located at <http://www.cio.ca.gov/ITpolicy/SIMM.html>.

## CAPITAL OUTLAY FINANCE LETTERS

Capital Outlay Finance Letter requests for FY 2010-11 must include fiscal impact worksheets (FIW) DF-150 and must be provided in both hard copy and electronically via e-mail. **All fiscal detail related to Capital Outlay Finance Letter requests that are not technical in nature must be entered in column F** (April 1 Action) in the FIW (Excel spreadsheet). The FIW and COBCP forms can be found at: [http://www.dof.ca.gov/html/budletr/forms/fin\\_form.htm](http://www.dof.ca.gov/html/budletr/forms/fin_form.htm).

Government Code Section 13308 requires all proposed appropriations adjustments to the Governor's Budget for capital outlay be submitted to the Legislature by May 1. Traditionally, the May Technical Letter includes updates to reflect new budget package information, reversions associated with project terminations, and reappropriations to reflect unanticipated changes in project schedules. **Departments must submit May Technical Letter requests to Finance by March 12, 2010.** All fiscal detail related to Capital Outlay Technical Finance Letter requests must be entered in Column G (May 1 Action) in the FIW (Excel spreadsheet).

## **MAY REVISION**

Government Code Section 13308 requires submission of the traditional May Revision to the Legislature by May 14. The traditional May Revision includes updated estimates of revenues; proposals to adjust expenditures to reflect updated revenue estimates, if necessary; and proposals to adjust Proposition 98 and ECP programs. Departments traditionally affected by ECP changes should discuss with the Finance budget analyst appropriate submission dates to ensure compliance with the May Revision deadline. It is likely that any significant ongoing cost increases submitted for the May Revision will have to be offset by ongoing savings in the submitting department.

If you have any general questions, please contact your Finance budget analyst. Contact your OCIO manager or capital outlay analyst for questions related to IT or capital outlay requests, respectively.

/s/ Ana J. Matosantos

ANA J. MATOSANTOS  
Director